

**TOWNSHIP OF OVID  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**

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# **Rumsey & Watkins, P.C.**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Township Board  
Township of Ovid  
Branch County, Michigan**

**June 6, 2008**

We have audited the accompanying financial statements of each major fund of the Township of Ovid as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit, also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying financial statements do not present government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Ovid as of March 31, 2008 or the changes in its financial position for the year then ended.

**To the Members of the Township Board  
Township of Ovid  
Branch County, Michigan**

**June 6, 2008**

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

A handwritten signature in cursive script that reads "Rumsey & Watkins P.C.".

**RUMSEY & WATKINS, P.C.**

**TOWNSHIP OF OVID**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**MARCH 31, 2008**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 604,291
Investments	205,000
Taxes receivable	12,405
Special assessment receivable	20,966
Due from other funds	5,847
	<hr/>
Total assets	\$ 848,509
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Due to others	\$ 131,189
Deferred revenue	17,010
	<hr/>
Total liabilities	148,199
<b>FUND BALANCE</b>	
Undesignated	700,310
	<hr/>
Total liabilities and fund balance	\$ 848,509
	<hr/> <hr/>

**TOWNSHIP OF OVID**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 110,680
Tax administration fee	54,606
Special assessments	83,956
Licenses and permits	32,139
State shared revenue	167,321
Charges for services	2,323
Interest earned	25,889
Reimbursements	7,128
Miscellaneous	46
	<hr/>
Total revenues	484,088
<b>EXPENDITURES</b>	
General government	158,983
Public safety	93,643
Public works	132,967
	<hr/>
Total expenditures	385,593
	<hr/>
Excess of revenues over expenditures	98,495
<b>FUND BALANCE - BEGINNING</b>	601,815
	<hr/>
<b>FUND BALANCE - ENDING</b>	\$ 700,310
	<hr/> <hr/>

**TOWNSHIP OF OVID**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**MARCH 31, 2008**

	<u><b>Agency Funds</b></u>
<b>ASSETS</b>	
Cash	\$      5,847
	<u><u>                    </u></u>
<b>LIABILITIES</b>	
Due to other funds	\$      5,847
	<u><u>                    </u></u>

See Notes to Financial Statements

**TOWNSHIP OF OVID**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Ovid conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**REPORTING ENTITY:**

The Township operates under an elected board of five members and provides primarily fire protection and road maintenance and construction to the local residents. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these financial statements.

**FUND FINANCIAL STATEMENTS:**

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded when payment is due.

The Township reports the following governmental funds:

**General Fund** is the operating fund of the Township. It is used to account for all the Township's financial resources not required to be accounted for in another fund.



## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2008**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: – Continued**

Additionally, the Township reports the following fund types:

**Agency Funds** are used to account for assets held in trust or as an agent for others. The Tax Collection fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

##### **ASSETS, LIABILITIES AND NET ASSETS**

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Capital Assets** - The Township implemented portions of the new financial model, as required by the provisions of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). A portion of GASB No. 34 not implemented by the Township is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Township did not present government-wide financial statements, the governmental activities capital assets are not reported within the Township's financial statements as of March 31, 2008.

**Fund Balance** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any reserved or designated fund balances.

**Accounting Change** - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Township has implemented portions of GASB 34.

However, the Township did not present government-wide financial statements to display the financial position and changes in financial position using full accrual accounting for all the Township's activities. These statements would present the Township's governmental activities. In addition, the Township did not include a management's discussion and analysis, which would present an analysis of the financial performance for the year.

## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2008**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **ASSETS, LIABILITIES AND NET ASSETS – Continued**

##### **Accounting Change – Continued**

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Because of the effects of the matter discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Ovid as of March 31, 2008 or the changes in its financial position for the year ended.

##### **BASIS OF BUDGETING:**

The Township adopted their annual budget based on the modified accrual method of accounting. Expenditures were estimated by functional level. The Township included an estimated beginning fund balance within the approved budget. Once a budget is approved it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law. Revisions to the budget were made during the year.

##### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

##### **USE OF ESTIMATES:**

The Township uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

## TOWNSHIP OF OVID

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2008

#### NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated financial institutions for the deposit of Township funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of 4.8% to 5.15%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

Cash and investments, as of March 31, 2008, are classified in the accompanying financial statement as follows:

Governmental Funds	
Cash	\$ 604,291
Investments	<u>205,000</u>
Total Governmental Funds	809,291
Fiduciary Funds	
Cash	<u>5,847</u>
Total cash and investments	<u><u>\$ 815,138</u></u>

## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2008**

#### **NOTE B - DEPOSITS AND INVESMENTS - Continued**

**Interest rate risk** – In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

**Credit risk** – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Township does not allow direct investment in commercial paper or corporate bonds.

**Concentration of credit risk** – The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk for deposits** – In the case of deposits, this is the risk that in the event of a financial institution failure, the Township's deposits may not be recovered. As of March 31, 2008, \$638,715 of the Township's bank balance of \$818,715 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposit and money market accounts are included in the above totals.

**Foreign currency risk** – The Township is not authorized to invest in investments which have this type of risk.

#### **NOTE C – TAXES RECEIVABLE**

The Township is a general law township and levies property taxes on December 1 of each year. They are collected by the Township's treasurer from December 1 to February 28.

Taxes receivable represent real property taxes and administrative fees returned delinquent to the County of Branch. The real property taxes and administrative fees in the amount of \$12,405 will be paid to the Township by the County of Branch in April 2008.

## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2008**

#### **NOTE D – SPECIAL ASSESSMENT RECEIVABLE**

Special assessment districts have been established for road improvements. The General Fund of the Township is financing the construction and assessing the particular residents their cost of the improvements over three and five year periods plus 5% interest on the outstanding balances. In accordance with GASB #6, the special assessments receivable has been recorded in the General Fund. The special assessments receivable, at March 31, 2008, can be summarized as follows:

Delinquent	\$ 3,956
Current	12,967
Deferred	<u>4,043</u>
Total	<u><u>\$ 20,966</u></u>

The current and deferred special assessments receivable will be levied during the year ending March 31, 2009 and subsequent years and, therefore, is recorded as deferred revenue until levied and realizable.

#### **NOTE E – DUE FROM (TO) OTHER FUNDS**

The due from (to) other funds, at March 31, 2008, for the Township is as follows:

General Fund:

Due from Tax Collection Fund	<u><u>\$ 5,847</u></u>
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#### **NOTE F – PENSION PLAN**

The Township maintains a defined contribution pension plan for substantially all employees. The plan, known as the Trustees of Ovid Township Pension Plan, is administered by an independent life insurance company. No employee contributions can be made to the plan.

The total covered payroll under the pension plan for 2008 amounted to \$67,715 compared to \$74,278 total 2008 payroll.

The Township is required to make annual contributions to the plan based on 25% of compensation for the year. The required contribution made to the plan for the year ended March 31, 2008 amounted to \$16,929.

## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2008**

#### **NOTE G – COMMITMENTS**

The Township has entered into an agreement with the Lakeland Volunteer Fire Department to provide fire protection at an annual expense of \$60,000 for the years ending 2009 through 2010.

#### **NOTE H – RISK MANAGEMENT**

The Township of Ovid is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Township pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subjected to a special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims. The Township has not been informed of any special assessments being required. The Township continues to carry commercial insurance for other risk.

**TOWNSHIP OF OVID**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Budgeted Amounts</u>			<b>Over (Under) Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 100,100	\$ 100,100	\$ 110,680	10,580
Tax administration fee	50,000	50,000	54,606	4,606
Special assessments	-	-	83,956	83,956
Licenses and permits	31,500	31,500	32,139	639
State shared revenue	160,000	160,000	167,321	7,321
Charges for services	600	600	2,323	1,723
Interest earned	17,000	17,000	25,889	8,889
Reimbursements	8,700	8,700	7,128	(1,572)
Other	200	200	46	(154)
Total revenues	368,100	368,100	484,088	115,988
<b>EXPENDITURES</b>				
General government				
Township board	68,910	68,910	56,523	(12,387)
Supervisor	15,740	15,740	14,299	(1,441)
Elections	4,930	4,930	2,064	(2,866)
Assessor	26,582	27,382	27,204	(178)
Clerk	20,300	20,300	17,798	(2,502)
Board of review	1,900	1,900	1,075	(825)
Treasurer	28,760	28,760	26,853	(1,907)
Cemetery	21,280	20,480	13,167	(7,313)
Total General government	188,402	188,402	158,983	(29,419)
Public safety				
Fire protection	60,000	60,000	60,000	-
Zoning	38,360	48,360	33,643	(14,717)
Total Public safety	98,360	108,360	93,643	(14,717)
Public works	72,450	133,150	132,967	(183)
Total expenditures	359,212	429,912	385,593	(44,319)
Excess (deficiency) of revenues over expenditures	8,888	(61,812)	98,495	160,307
<b>FUND BALANCE - BEGINNING</b>	612,451	612,451	601,815	(10,636)
<b>FUND BALANCE - ENDING</b>	<u>\$ 621,339</u>	<u>\$ 550,639</u>	<u>\$ 700,310</u>	<u>\$ 149,671</u>

June 6, 2008

To the Members of the Township Board  
Township of Ovid  
Branch County, Michigan

We have audited the financial statements of each major fund of the Township of Ovid as of and for the year ended March 31, 2008. Professional standards require that we provide you with the following information related to our audit.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Ovid are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

As described in Note A the Township did not present government – wide financial statements to display the financial position and changes in financial position using full accrual accounting for all the Township's activities. These statements would present the Township's governmental activities. In addition, the Township did not include a management's discussion and analysis, which would present an analysis of the financial performance for the year.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in aggregate, to the financial statements taken as a whole.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

We have requested certain representations from management that are included in the management letter dated June 6, 2008.

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entities financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the Township of Ovid as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Ovid's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiencies constitute material weaknesses:

1. The Township of Ovid does not have control procedures in place or a member of management with sufficient skills to prepare financial statements in accordance with U.S. generally accepted accounting principles. As is common with smaller entities, the Township of Ovid relies on its independent external auditors to assist in the preparation of the financial statements. Auditors by definition cannot be considered part of the Township of Ovid's internal controls. The Township of Ovid has evaluated the cost vs. benefit of preparing the financial statements and has determined it is in the best interest of the Township of Ovid to outsource this task to its external auditors.
2. Due to the size of staff the Township of Ovid lacks adequate segregation of duties. We understand due to the size of needed staff, a proper segregation of duties may be impractical and the cost vs. benefit relationship may not justify the addition of accounting staff to accomplish the desired segregation.

This communication is intended solely for the information and use of management, Members of the Township Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Rumsey & Watkins PC".

RUMSEY & WATKINS, P.C.